

IGB set for bigger challenges

With low gearing and healthy cash reserves, firm ready to go big abroad

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PETALING JAYA: IGB Corp Bhd is ready to take on bigger challenges after having built a substantial portfolio of properties in the retail, hospitality and high-end residential sectors.

With the stronger ringgit and the company's low gearing and healthy cash reserves, it was high time to expand aggressively in retail sector abroad, said group managing director Robert Tan Chung Meng.

“Our Mid Valley Megamall that is parked under KrisAssets Holdings Bhd is doing very well.

“We are now aggressively looking to acquire one or two malls in the United States and Europe,” Tan said recently.

For the first quarter ended March 31, its 75%-owned KrisAssets posted a net profit of RM27mil against RM25.4mil in the same period last year.



»Our Mid Valley Megamall that is parked under KrisAssets Holdings Bhd is doing very well« ROBERT TAN CHUNG MENG

IGB's net profit rose 4.1% to RM35.32mil in the quarter from RM33.9mil a year earlier.

Tan said the company, which has a cash reserve of RM180mil, would have no problem raising funds. The company expects the expansion abroad to cost RM1bil to RM2bil.

Its hotel division, which contributes 50% to group profit, is also slated for expansion locally and overseas.

“We are targeting Japan, China and Indochina where we will either buy existing hotels or develop new ones,” Tan said.

In Malaysia, IGB owns Garden Hotel, Boulevard Hotel, Pangkor Island Beach Resort, Garden Residences, the Cititel chain of hotels and the Micasa all-suites hotel.

The company is submitting a proposal to develop the final phase of Mid Valley City comprising office blocks on a 500,000-sq-ft site.

Tan hoped to get the approval for the RM500mil office project by the year-end.

IGB is focusing on expanding businesses which offer recurring income, especially in hospitality and property investment and management.

It is now leasing offices at the Gardens north and south towers within Mid Valley City.

However, “small (property) launches” by IGB lately have been a cause of concern, with AmResearch Sdn Bhd describing them as a “disappointment”.

“Given the robust consumer sentiment, we had earlier expected IGB to launch more residential projects such as 6 Stonor with a gross development value (GDV) of RM300mil and projects at Sierras in Sungai Buloh,” the brokerage said.

Tan said IGB's two new launches were doing well. “Most of the units at Seri Ampang Hilir Residence and Garden Manor have been sold.” Both projects had a combined gross development value (GDV) of RM150mil.

Founded in the early 1960s by two brothers – the late Datuk Tan Kim Yeow and Datuk Tan Chin Nam – and named after its maiden project in Ipoh, IGB has turned from being a mere developer into a mega asset-based company that is worth RM4.5bil at the end of 2009.

IGB, which was listed in 1981, and Tan & Tan Developments Bhd, another property unit formed by the Tan brothers and listed in 1993, announced a massive merger and rationalisation exercise in the year 2000.

That resulted in IGB assuming the property assets of parent Tan & Tan, which then transferred its listing status to a new vehicle, Gold IS Bhd,

another entity controlled by the two Tan families.

The group is now looking at injecting its properties into a real estate investment trust (REIT), which will probably be the country's largest.

To do that, analysts said the group must inject properties with good financial track records and these include Gardens Mall developed by Mid Valley City Gardens Sdn Bhd, a subsidiary IGB.

However, the proposed REIT was probably delayed due to the drastic drop in market value of such trusts in 2008 and early 2009 and the poor sentiment for REIT listings.

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